



CONCORDE CAPITAL

Ukraine / Real Estate TKS Management

Project Portfolio Enhanced

November 1, 2007

Current price: EUR 15.57 / USD 22.49

12M Target: EUR 19.34 / USD 27.91

BUY

Andriy Gostik, CFA
ag@concorde.com.ua

Alexander Romanov
ar@concorde.com.ua

+380 44 391 5577

Frankfurt/ XETRA 37W1 GR

Market Information*

Market price, EUR	15.57
USD	22.49
Chg YTD	11%
Hi/Lo YTD, EUR	15.8/14.9
USD	22.5/20.5
MCap, EUR mln	137.34
USD mln	198.22
DR/ Ord. ratio	2:1
No of shares, mln	4.5
Avg Mo Tr Vol YTD, EUR ths	51.8
USD ths	35.9
Free float	22%
Free float, EUR mln	30.21
USD mln	43.61

*DRs on shares of the Cyprus-registered shell company Waymore Holdings PLC who owns 100% in TKS Management LLC are traded

Stock ownership

Strikewell Investments Limited*	78%
Other	22%

*Beneficiaries of Strikewell Investments Limited are Ukrainian individuals Ivan Torsky and Volodymyr Hovirko

TKS Management expanded its portfolio with two new projects over the last month, increasing the total area of its developments by 44%. At the same time, the company diversified its tenant mix by signing preliminary agreements with Russian retailer Vester, and lifted rental rates for a number of its retail projects. We upgrade our target price from EUR 17.60 to EUR 19.34 per DR, implying an upside of 24%. BUY.

Two new projects added to portfolio

In October 2007, TKS acquired two more projects, one in Lviv and one in Truskavets, enlarging its portfolio to 16 projects and increasing its total floor plate to 225 ths m² (up 44%). The Lviv project envisages construction of a shopping center (hypermarket + mall, GLA of 32 ths m²) and office center (GLA of 30 ths m²) and will be completed in two stages by 2Q09. The project in Truskavets consists of a serviced apartment complex in a resort area, which is 60% completed. We estimate the new additions have a combined NPV of some USD 68 mln.

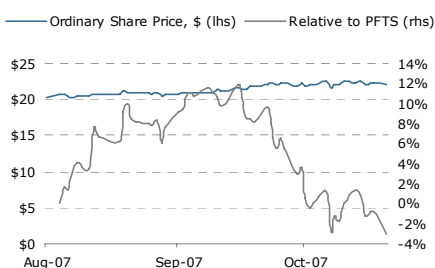
Rental rates raised thanks to strong demand for retail space

With retail chains lined up for open trade space in Ukraine's western regions, TKS has been able to negotiate more favorable lease terms and a diversified tenant mix in its shopping centers. This October the company signed preliminary lease agreements with Russian retailer Vester and therein secured 8%-53% higher rental rates for its four retail projects (Truskavets-2, Drohobych-2, Boryslav and Novovolynsk) than we initially expected. Vester outbid Ukraine's third largest operator Furshet, who initially planned to be an anchor there. Auchan and Furshet remain TKS's partners in other retail projects.

Valuation revised upward

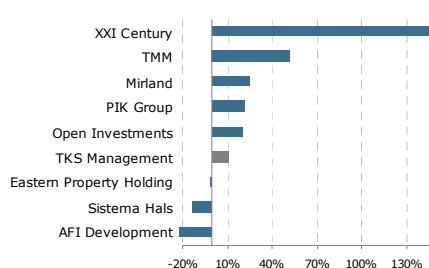
We estimate that after adding the two new projects and revising rental rate assumptions upward, TKS's portfolio will appreciate to USD 229.5 mln by the end of 2007, up 53% compared to its valuation at the company's placement in July 2007. This puts our target price for the stock at EUR 19.34/DR implying an upside of 24% from current market price.

Stock performance

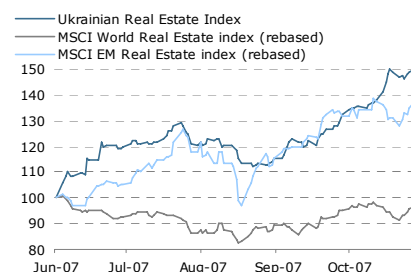


Source: Bloomberg, PFTS. Note: TMM and AFI Development were listed in May 2007, PIK Group was listed in June 2007.

Sector performance, YTD



Real estate indices



Ukrainian Real Estate Index is MCap-weighted and includes XXI Century, TMM and DUPD

Key financials, USD mln

	Revenue	EBITDA	Net Income	Book Value	Debt/Equity
2007E	2	2	1	53	15.7%
2008E	11	7	44	98	73.4%
2009E	53	38	199	297	17.5%
2010E	93	66	68	366	2.2%

Spot exchange rate: 5.05

Portfolio Update

Lviv 2 Mixed use

The project provides for development of a mixed-use complex with retail and entertainment segment and office premises in Lviv. The property has access to Kniagyni Olgy St., which is an important traffic route. It is located in a residential area and can be reached easily by public transportation and private vehicles from the city center.

Truskavets Ambassador serviced apartment complex

The project involves construction of a five-story 3* serviced apartment complex with 60 bedrooms in Truskavets. The property will have a developed infrastructure including restaurants and a spa. It is close to a "Megamarket" shopping center, which was built by TKS, and health centers.

Project	Lviv 2 MU (phase 1)	Lviv 2 MU (phase 2)	Truskavets Serviced Apts
City	Lviv	Lviv	Truskavets
Type	Mixed use	Mixed use	Hotel
Total area, m ²	32 000	30 000	5 000
Leasable area, m ²	29 000	26 000	5 000
Rental rate, USD/m ²	20	18	15
Stage	Held for development	Held for development	Under construction
Start of construction	Mar-08	Dec-08	Nov-07
Construction completion	Jul-08	May-09	Dec-08

Source: Company data, NPV by Concorde Capital

Project Name	Total area m ²	Useful area m ²	Selling Price USD/m ²	Rental Rate USD/m ²	Due in	NPV	
						Dec-07 USD mln	Dec-08 USD mln
Commercial developments							
Truskavets 1 RC	6 675	3 759		20.8	2Q06	0.6	11.0
Truskavets 2 RC	1 500	1 400		15.0	4Q07	2.8	2.9
Truskavets Serviced Apts	5 000	5 000		15.0	4Q08	6.8	9.7
Drohobych 1 RC	3 528	3 528		9.2	2Q07	4.4	4.6
Drohobych 2 RC	13 248	11 300		18.3	2Q08	19.5	27.4
Boryslav RC	2 900	2 900		15.0	4Q07	5.8	6.0
Novovolynsk RC	8 600	8 000		15.5	2Q08	10.9	16.5
Lviv 1 RC	22 500	17 100		34.1	4Q08	54.5	79.3
Lviv 2 MU (phase 1)	37 000	33 700		19.0	4Q08	37.3	84.5
Lviv 2 MU (phase 2)	30 000	26 000		18.0	2Q09	23.9	44.9
Lviv Office	7 500	6 375		18.0	4Q08	8.4	15.4
Residential developments							
Truskavets 1 / Lisova Pisnya	9 411	7 470	917		3Q08	3.0	0.3
Truskavets 2 / Pomiretska	18 800	16 940	833	10	3Q09	7.2	5.8
Truskavets 3 / Berizka	12 400	12 400		15	1Q09	10.1	18.7
Truskavets 4 / Cottages	10 600	9 600	1 000		3Q09	4.1	4.3
Lviv 1 / Naukova	23 300	21 000	1 300		2Q10	12.6	16.1
Lviv 2 / Stradch	18 000	18 000	1 000		1Q10	7.6	8.3
Total/ Average	230 962	204 472	1 045	19.4		229.5	355.6

Source: Company data, NPV by Concorde Capital

Valuation Summary

Sum-of-the-parts valuation

	Dec-07, USD mln	Dec-08, USD mln
Project portfolio valued by DCF	229.5	355.6
Cumulative disc. corp. profit taxes	(24.8)	(29.3)
Net Cash / (Debt)	12.3	(75.1)
Equity value	217.0	251.2
DR value	16.7	19.3

Source: Concorde Capital estimates

Income statement summary, USD mln

	2007E	2008F	2009F	2010F
Net Revenues	2	11	53	93
<i>Change y-o-y</i>	<i>n/a</i>	<i>662%</i>	<i>482%</i>	<i>176%</i>
Cost Of Sales	-	(4)	(14)	(26)
Gross Profit	2	7	39	67
Other Operating Income/Costs. net	-	-	-	-
SG&A	(0)	(0)	(0)	(1)
EBITDA	2	7	38	66
<i>EBITDA margin. %</i>	<i>99.2%</i>	<i>67.1%</i>	<i>71.9%</i>	<i>71.0%</i>
D&A	(0)	(1)	(1)	(1)
EBIT	1	7	37	66
<i>EBIT margin. %</i>	<i>88.6%</i>	<i>62.2%</i>	<i>70.8%</i>	<i>70.4%</i>
Interest Expense	(1)	(5)	(7)	(3)
Financial income	-	-	-	-
Other income/(expense)	0	47	191	13
PBT	1	49	221	76
Tax	(0)	(5)	(22)	(8)
<i>Effective tax rate</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>	<i>10%</i>
Net Income	1	44	199	68
<i>Net Margin. %</i>	<i>33.5%</i>	<i>401.1%</i>	<i>375.9%</i>	<i>73.1%</i>

Balance sheet summary, USD mln

	2007E	2008F	2009F	2010F
Current Assets	33	42	45	25
Cash & Equivalents	22	1	1	9
Trade Receivables	2	2	5	5
Inventories	3	20	23	1
Other current assets	6	19	17	11
Fixed Assets	35	158	362	375
PP&E. net	7	16	16	15
Investment Property & Other Fixed Assets	28	142	346	360
Total Assets	68	200	408	400
Shareholders' Equity	53	98	297	366
Share Capital	39	39	39	39
Reserves and Other	14	59	258	326
Current Liabilities	7	26	35	1
ST Interest Bearing Debt	2	4	3	0
Trade Payables	2	4	1	0
Accrued Wages	-	-	-	-
Accrued Taxes	-	-	-	-
Advances from Customers & Other	3	17	30	0
LT Liabilities	8	77	76	33
LT Interest Bearing Debt	8	72	52	8
Other LT	0	5	24	25
Total Liabilities & Equity	68	200	408	400

Cash flow statement summary, USD mln

	2007E	2008F	2009F	2010F
Net Income	1	44	199	68
D&A	0	1	1	1
Non-operating and non-cash items	6	(52)	(173)	(10)
Changes in working capital	(6)	(14)	7	(3)
Operating Cash Flow	1	(21)	34	56
Capital Expenditures. net	(19)	(66)	(13)	(2)
Other Investments. net	-	-	-	-
Investing Cash Flow	(19)	(66)	(13)	(2)
Net Borrowings/(repayments)	2	66	(21)	(47)
Dividends Paid	-	-	-	-
Equity Financing & Other	39	-	-	-
Financing Cash Flow	40	66	(21)	(47)
Beginning Cash Balance	0	22	1	1
Ending Cash Balance	22	1	1	9
Net Cash Inflows/Outflows	22	(21)	(0)	8

UAH/USD Exchange rates

	2007E	2008F	2009F	2010F
Average exchange rate	5.05	5.03	5.00	5.00
Year-end exchange rate	5.05	5.00	5.00	5.00

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO

Igor Mazepa

im@concorde.com.u

RESEARCH COVERAGE BY SECTOR

Equity Sales

Anastasiya Nazarenko
Duff Kovacs, CFA
Zack Watson
Marina Martirosyan

an@concorde.com.u
dk@concorde.com.u
zw@concorde.com.u
mm@concorde.com.u

Strategy

Konstantin Fisun
Oleksandr Klymchuk

kf@concorde.com.ua
ok@concorde.com.ua

Metals & Mining

Eugene Cherviachenko
Andriy Gerus

ec@concorde.com.ua
ga@concorde.com.ua

Director of Research

Konstantin Fisun, CFA

kf@concorde.com.u

Utilities (Telecom, Energy)

Alexander Paraschiy

ap@concorde.com.ua

Oil & Gas, Chemicals

Vladimir Nesterenko

vn@concorde.com.ua

Consumer/Real Estate Group

Andriy Gostik, CFA
Olha Pankiv
Alexander Romanov
Anna Dudchenko

ag@concorde.com.ua
op@concorde.com.ua
ar@concorde.com.ua
ad@concorde.com.ua

Machinery

Eugene Cherviachenko
Inna Perepelytsya

ec@concorde.com.ua
pi@concorde.com.ua

Financial Services, Retail

Alexander Viktorov

av@concorde.com.ua

Macroeconomics

Polina Khomenko

pk@concorde.com.u

Fixed Income

Oleksandr Klymchuk

ok@concorde.com.ua

Corporate Governance

Nick Piazza

np@concorde.com.ua

News/Production

Nick Piazza
Polina Khomenko

np@concorde.com.ua
pk@concorde.com.ua

Editor

Brad Wells

bw@concorde.com.ua

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